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潍柴動力股份有限公司

**WEICHAI POWER CO., LTD.**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2338)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately RMB126,388 million, an increase of approximately 33.8%.
- Net profit attributable to the shareholders of the parent amounted to approximately RMB6,432 million, an increase of approximately 37.4%.
- Basic earnings per share was approximately RMB0.80, an increase of approximately 35.2%.

(Important notice: This announcement is published in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.)

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the reviewed consolidated financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises for the six months ended 30 June 2021 (the “Period”), together with comparative figures for the corresponding period of 2020 as follows:

## CONSOLIDATED INCOME STATEMENT

January to June 2021 (Expressed in Renminbi Yuan)

	Notes	January to June 2021 (unaudited)	January to June 2020 (unaudited)
Revenue	8	126,387,895,407.53	94,494,559,093.69
Less: Cost of sales	8	102,577,192,315.17	75,989,643,182.24
Taxes and surcharges	9	514,469,920.14	432,628,178.50
Distribution and selling expenses		6,313,354,418.08	5,312,502,799.91
General and administrative expenses		4,209,967,630.95	3,397,396,172.54
Research & development expenses		3,567,138,773.13	2,582,307,532.57
Finance expenses		(195,695,584.74)	166,195,298.85
Incl: Interest expenses		530,844,869.16	587,977,422.15
Interest income		738,609,251.70	619,198,001.23
Add: Other income		170,467,047.18	139,144,077.13
Investment income		389,934,991.55	271,836,921.75
Incl: investment income from associates and joint ventures		158,322,273.68	144,700,622.61
Profit or loss on change of fair value		95,693,340.02	129,675,563.76
Impairment loss of credit		(146,140,135.64)	(358,619,232.21)
Impairment loss of assets		(111,541,299.28)	(199,053,610.17)
Gain on disposal of assets		85,570,514.65	26,894,701.14
Operating profit		9,885,452,393.28	6,623,764,350.48
Add: Non-operating income		139,140,290.99	126,832,763.37
Less: Non-operating expenses		52,451,379.51	46,006,159.00
Total profit		9,972,141,304.76	6,704,590,954.85
Less: Income tax expenses	10	1,717,240,768.31	1,002,756,749.99
Net profit		8,254,900,536.45	5,701,834,204.86
Breakdown by continuity of operations			
Net profit from continuing operations		8,254,900,536.45	5,701,834,204.86
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		6,431,644,827.88	4,680,231,806.93
Minority interests		1,823,255,708.57	1,021,602,397.93

	<i>Notes</i>	<b>January to June 2021 (unaudited)</b>	January to June 2020 (unaudited)
Net other comprehensive income after tax	12	<b>1,614,465,664.45</b>	(331,312,309.12)
Net other comprehensive income attributable to shareholders of the parent after tax		<b>1,148,655,833.80</b>	(99,048,575.45)
Those other comprehensive income not to be reclassified into profit or loss			
Changes arising from re-measuring of defined benefit plan		<b>534,286,612.60</b>	(165,032,896.28)
Other comprehensive income not to be reclassified into profit or loss using the equity method		<b>(4,480,204.89)</b>	11,509,465.23
Change in fair value of investment in other equity instruments		<b>437,675,163.14</b>	103,773,209.63
Those other comprehensive income to be reclassified into profit or loss			
Other comprehensive income to be reclassified into profit or loss using the equity method		<b>1,094,492.00</b>	2,185,414.02
Cashflow hedging reserve		<b>6,152,104.98</b>	51,933,276.56
Exchange differences on foreign currency translation		<b>173,927,665.97</b>	(103,417,044.61)
Net other comprehensive income attributable to minority interests after tax		<b>465,809,830.65</b>	(232,263,733.67)
Total comprehensive income		<b>9,869,366,200.90</b>	5,370,521,895.74
Total comprehensive income attributable to the shareholders of the parent		<b>7,580,300,661.68</b>	4,581,183,231.48
Total comprehensive income attributable to minority interests		<b>2,289,065,539.22</b>	789,338,664.26
Earnings per share	11		
Basic earnings per share		<b>0.80</b>	0.59
Diluted earnings per share		<b>0.80</b>	0.59

**CONSOLIDATED BALANCE SHEET**  
*30 June 2021 (Expressed in Renminbi Yuan)*

<b>Assets</b>	<i>Notes</i>	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Current assets			
Cash and cash equivalents		77,393,443,999.19	62,216,111,509.25
Financial assets held for trading		4,917,751,327.84	5,852,397,849.29
Notes receivable	3	23,346,257,317.44	19,296,491,612.98
Accounts receivable	4	21,902,543,811.60	15,421,878,611.33
Receivable financing	5	17,733,512,053.73	9,483,678,101.82
Prepayments		1,246,484,060.19	1,095,016,121.17
Other receivables		1,065,860,622.32	1,409,858,869.61
Inventories		28,087,094,842.09	31,226,156,809.77
Contract assets		2,559,721,715.06	1,385,150,902.30
Assets held for sale		98,037,161.20	24,237,289.50
Non-current assets due within one year		3,405,809,023.40	3,179,721,675.00
Other current assets		2,481,558,952.52	1,924,109,398.31
Total current assets		184,238,074,886.58	152,514,808,750.33
Non-current assets			
Long-term receivables		9,770,920,339.80	9,622,504,650.00
Long-term equity investments		6,067,863,961.68	4,944,359,514.39
Investment in other equity instruments		3,605,581,549.65	2,411,112,072.96
Other non-current financial assets		393,215,096.97	243,013,050.00
Investment property		678,985,024.38	682,163,758.85
Fixed assets		32,322,226,927.40	31,722,827,681.55
Construction in progress		6,138,097,648.34	5,046,193,396.84
Right-of-use assets		6,561,931,812.33	7,714,233,013.45
Intangible assets		22,704,078,223.17	23,825,708,656.91
Development expenditure		292,997,391.98	287,116,831.24
Goodwill		24,135,171,117.50	24,665,842,392.79
Long-term prepaid expenses		268,486,237.51	252,157,738.41
Deferred tax assets		6,168,544,035.32	6,251,213,473.80
Other non-current assets		836,143,432.61	566,913,969.77
Total non-current assets		119,944,242,798.64	118,235,360,200.96
Total assets		304,182,317,685.22	270,750,168,951.29

<b>Liabilities and shareholders' equity</b>	<i>Notes</i>	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
Current liabilities			
Short-term loans		<b>5,798,662,332.31</b>	5,731,086,536.96
Financial liabilities held for trading		<b>124,042,424.87</b>	57,504,235.74
Notes payable	6	<b>29,801,616,801.50</b>	22,970,493,736.20
Accounts payable	7	<b>51,466,043,042.98</b>	45,449,924,996.39
Contract liabilities		<b>14,021,754,547.76</b>	15,547,391,077.33
Payroll payable		<b>5,891,332,723.61</b>	5,490,721,420.68
Taxes payable		<b>2,856,217,330.92</b>	2,180,739,782.32
Other payables		<b>12,904,625,259.93</b>	8,408,305,895.50
Non-current liabilities due within one year		<b>12,406,729,830.21</b>	11,274,647,277.08
Other current liabilities		<b>6,878,832,882.20</b>	6,601,767,024.57
Total current liabilities		<b>142,149,857,176.29</b>	123,712,581,982.77
Non-current liabilities			
Long-term borrowings		<b>11,965,886,538.86</b>	12,026,638,367.24
Bonds payable		<b>6,316,672,884.05</b>	8,702,767,425.04
Lease liabilities		<b>5,971,105,520.73</b>	7,235,898,107.78
Long-term payables		<b>7,298,856,562.84</b>	7,004,697,931.12
Long-term payroll payable		<b>12,292,615,587.30</b>	14,200,680,302.61
Accruals and provisions		<b>450,632,464.94</b>	509,080,971.37
Deferred income		<b>4,638,079,295.97</b>	4,996,880,280.64
Deferred tax liabilities		<b>4,710,720,570.52</b>	5,049,832,969.04
Other non-current liabilities		<b>7,370,129,245.13</b>	6,877,782,237.66
Total non-current liabilities		<b>61,014,698,670.34</b>	66,604,258,592.50
Total liabilities		<b>203,164,555,846.63</b>	190,316,840,575.27
Shareholders' equity			
Share capital		<b>8,726,556,821.00</b>	7,933,873,895.00
Capital reserve		<b>12,377,868,307.28</b>	180,552,538.58
Other comprehensive income	12	<b>(1,102,170,933.99)</b>	(2,250,826,767.79)
Special reserve		<b>253,995,150.16</b>	223,430,167.81
Surplus reserve		<b>1,630,243,076.46</b>	1,630,243,076.46
Retained earnings		<b>47,883,404,419.48</b>	43,485,047,330.89
Total equity attributable to the shareholders of the parent		<b>69,769,896,840.39</b>	51,202,320,240.95
Minority interests		<b>31,247,864,998.20</b>	29,231,008,135.07
Total shareholders' equity		<b>101,017,761,838.59</b>	80,433,328,376.02
Total liabilities and shareholders' equity		<b>304,182,317,685.22</b>	270,750,168,951.29

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a. Preparation basis of the financial statements

#### *Preparation basis*

These interim financial statements have been prepared in accordance with Accounting Standards for Business Enterprises – No. 32 Interim Financial Reporting issued by the Ministry of Finance (the “MOF”). In addition, the Group also disclosed relevant financial information in accordance with relevant disclosure requirements of Compilation Rules No. 15 for Information Disclosure by Companies Offering Securities to the Public – General Requirements for Financial Reporting (2014 Revision) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These interim financial statements include selected explanatory notes, which are provided for easy understanding of the Group’s important events and transactions leading to its financial position and change of results of operations since the financial statements for the year 2020. These selected notes do not include all information and disclosures required under the Accounting Standards for Business Enterprises for a full set of financial statements. As such, these statements shall be read in conjunction with the financial statements of the Group for the year 2020.

#### *Continuing operations*

The interim financial statements are presented on a going concern basis.

#### *Basis of book-keeping and principle of measurement*

The Group adopts the accrual basis as the basis of book-keeping in accounting. Other than certain financial instruments, these financial statements have been prepared at historical costs. A disposal group held-for-sale is carried at the lower of carrying amount or the net value of fair value less selling expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

Under historical cost method, the amount of assets was measured at the fair value of cash or cash equivalents or consideration paid at the time of purchase. Liabilities were measured at the amount of money or assets due to the current obligations actually received, or a present obligation of the contract amount, or the measurement of cash or cash equivalents in accordance with daily activities to repay the liabilities of the amount expected to be paid.

The fair value refers to the amount, at which both willing parties engaged to an orderly transaction who are familiar with the condition sell their assets or transfer their liabilities. Whether the fair value is observable or measured by valuation techniques, the measurement and disclosure of the fair value in these financial statements were all based on it.

For financial assets with transaction prices as the fair value upon initial recognition and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals to the transaction price.

Fair value measurements are categorized into three levels based on the degree to which the inputs of the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

**b. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control**

Business combinations include business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

*Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities that are obtained in a business combination shall be measured at the carrying amounts on the financial statements of the acquiree as at the combination date. The difference between the carrying amount of the net assets obtained by the acquirer and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss when incurred.

*Business combinations involving enterprises not under common control and goodwill*

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

Combination cost refers to the fair value of assets paid, liabilities incurred or assumed and equity instruments issued by the acquirer for acquiring control of the acquiree. For business combinations of enterprises not under common control achieved in stages through multiple transactions, the combination cost shall be the sum of the consideration paid on the date of acquisition and the fair value, as at the date of acquisition, of the equity interests in the acquiree held prior to the date of acquisition.

The fees paid to intermediaries including audit, legal services, appraisal and so forth and other related administrative expenses incurred by the acquirer for the business combination are charged to profit or loss for the current period when incurred.

The identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in the business combination are measured at fair value on the date of acquisition. When the business combination contract provides that, upon the occurrence of multiple future contingencies, the acquirer shall require the return of consideration paid for the business combination, such contingent consideration as set out in the contract shall be recognised as an asset by the Group as a part of the aggregate consideration transferred in the business combination, and be included in the cost of combination at the fair value at the date of acquisition. Within twelve months after the acquisition, if the contingent consideration needs to be adjusted as new or further evidences are obtained in respect of circumstances existed as of the date of acquisition, the amount previously included in the goodwill shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be measured in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 13 – Contingencies. Any change or adjustment is included in profit or loss for the current period.

Where the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in the business combination, the difference is recognized as goodwill as an asset, and initially measured at cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in the business combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in the business combination after re-verification, they are charged to profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognizes and measures the combination using those provisional values. Any adjustments to those provisional values within 12 months after the acquisition date are treated as if they had been recognized and measured on the acquisition date.

Goodwill arising from the business combination shall be recognized separately in the consolidated financial statements and measured at cost less accumulated impairment losses.

**c. Basis for preparation of consolidated financial statements**

The consolidation scope of consolidated financial statements is determined on the basis of control. Control refers to the power of an investor over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of its returns. Once the relevant facts and situation which alters the elements that define control change, the Group shall perform re-evaluation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the date of acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements is eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

Where the amount of losses of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as an equity transaction. The carrying amounts of the interests attributable to the parent and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

## **2. SEGMENT REPORTING**

### **Operating segments**

The Group organises and manages its operating business in accordance with the nature of business and provision of products and services. Each operating segment of the Group is one operating group, providing products and services with risks and rewards different from those of other operating segments.

The details of operating segments are as follows:

- (a) manufacturing and sale of engines and related parts ("Engines");
- (b) manufacturing and sale of automobiles and automobile components other than Engines ("Automobiles and automobile components");
- (c) Forklift trucks production, warehousing technology and supply chain solution services ("Intelligent logistics").

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reported segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group's total profits, except that finance expenses, investment income, profit or loss on change of fair value as well as other unallocated income or expense are excluded from such measurement.

Segment assets exclude cash and cash equivalents, derivative instruments, dividends receivable, interests receivable, investment in other equity instruments, deferred tax assets and other unallocated head office assets.

Segment liabilities exclude derivative instruments, borrowings, income tax payable, deferred tax liabilities and other unallocated head office liabilities.

Inter-segment transfers are transacted with reference to the prices used in the transactions carried out with third parties.

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Inter-segment elimination	Total
Incurred during this period					
Segment revenue:					
Sale to external customers	32,978,502,416.62	54,703,513,734.53	38,705,879,256.38	–	126,387,895,407.53
Inter-segment sale	9,334,850,550.19	558,481,021.19	63,885,018.42	(9,957,216,589.80)	–
Total	<u>42,313,352,966.81</u>	<u>55,261,994,755.72</u>	<u>38,769,764,274.80</u>	<u>(9,957,216,589.80)</u>	<u>126,387,895,407.53</u>
Segment results	5,622,815,452.83	1,436,993,200.99	2,841,340,990.03	(697,021,166.88)	9,204,128,476.97
Adjustment:					
Interest income	–	–	–	–	738,609,251.70
Dividend income and unallocated income	–	–	–	–	624,768,622.56
Corporate and other unallocated expenses	–	–	–	–	(52,451,379.51)
Finance expenses	–	–	–	–	<u>(542,913,666.96)</u>
Profit before tax	–	–	–	–	<u>9,972,141,304.76</u>
<b>30 June 2021</b>					
Segment assets	65,718,020,946.56	71,668,137,497.25	98,204,883,416.46	(23,652,971,710.67)	211,938,070,149.60
Adjustment:					
Corporate and other unallocated assets	–	–	–	–	<u>92,244,247,535.62</u>
Total assets	–	–	–	–	<u>304,182,317,685.22</u>
Segment liabilities	52,505,673,898.80	59,913,107,198.29	58,183,400,285.50	(12,470,389,226.65)	158,131,792,155.94
Adjustment:					
Corporate and other unallocated liabilities	–	–	–	–	<u>45,032,763,690.69</u>
Total liabilities	–	–	–	–	<u>203,164,555,846.63</u>
Incurred during this period					
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates and joint ventures	(19,978,206.98)	97,731,818.76	80,568,661.90	–	158,322,273.68
Reversal/(loss) of impairment of inventories	(45,244,079.50)	5,008,550.31	(52,856,874.40)	–	(93,092,403.59)
Impairment loss of credit of accounts receivables	(59,311,235.72)	(72,927,644.92)	(13,901,255.00)	–	(146,140,135.64)
Loss of impairment of non-current assets	(18,448,895.69)	–	–	–	(18,448,895.69)
Depreciation and amortization	(592,145,953.89)	(780,291,591.93)	(3,829,981,718.54)	–	(5,202,419,264.36)
Gain/(loss) from disposal of fixed assets	79,954,142.94	(15,985,962.09)	21,602,333.80	–	85,570,514.65
Investment in associates and joint ventures	3,920,796,105.73	1,374,850,714.35	772,217,141.60	–	6,067,863,961.68
Capital expenditure	<u>954,826,277.01</u>	<u>2,024,498,218.08</u>	<u>5,019,793,744.40</u>	<u>–</u>	<u>7,999,118,239.49</u>

					RMB
Item	Engines	Automobiles and automobile components	Intelligent logistics	Inter-segment elimination	Total
Incurred in the previous period					
Segment revenue:					
Sale to external customers	22,372,224,492.35	42,039,839,424.20	30,082,495,177.14	–	94,494,559,093.69
Inter-segment sale	8,890,816,976.96	620,341,480.78	75,554,595.67	(9,586,713,053.41)	–
Total	31,263,041,469.31	42,660,180,904.98	30,158,049,772.81	(9,586,713,053.41)	94,494,559,093.69
Segment results	4,699,216,049.44	1,538,888,249.51	531,331,647.36	(380,988,782.49)	6,388,447,163.82
Adjustment:					
Interest income	–	–	–	–	619,198,001.23
Dividend income and unallocated income	–	–	–	–	528,345,248.88
Corporate and other unallocated expenses	–	–	–	–	(46,006,159.00)
Finance expenses	–	–	–	–	(785,393,300.08)
Profit before tax	–	–	–	–	6,704,590,954.85
<b>31 December 2020</b>					
Segment assets	61,495,181,501.71	59,491,364,495.28	95,874,389,844.38	(22,913,076,057.19)	193,947,859,784.18
Adjustment:					
Corporate and other unallocated assets	–	–	–	–	76,802,309,167.11
Total assets	–	–	–	–	270,750,168,951.29
Segment liabilities	46,849,031,118.89	49,994,949,079.93	58,625,165,715.00	(11,343,252,095.55)	144,125,893,818.27
Adjustment:					
Corporate and other unallocated liabilities	–	–	–	–	46,190,946,757.00
Total liabilities	–	–	–	–	190,316,840,575.27
Incurred in the previous period					
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates and joint ventures	(3,882,329.33)	92,634,694.04	55,948,257.90	–	144,700,622.61
Reversal/(loss) of impairment of inventories	3,668,906.96	(100,805,146.76)	(100,674,777.22)	–	(197,811,017.02)
Impairment loss of credit of accounts receivables	(97,160,896.80)	(196,101,953.91)	(65,356,381.50)	–	(358,619,232.21)
Loss of impairment of non-current assets	(208,658.57)	–	(1,033,934.58)	–	(1,242,593.15)
Depreciation and amortization	(555,524,141.58)	(638,790,690.30)	(3,096,058,377.72)	–	(4,290,373,209.60)
Gain from disposal of fixed assets	4,184,819.23	4,256,923.71	18,452,958.20	–	26,894,701.14
Investment in associates and joint ventures	2,979,626,513.21	886,029,694.00	789,566,659.43	–	4,655,222,866.64
Capital expenditure	1,750,849,647.03	909,450,067.57	4,457,861,480.10	–	7,118,161,194.70

## Group information

### Information about products and services

Revenue from external transactions

RMB

Item	Incurred during this period	Incurred in the previous period
Powertrain, complete vehicles and machines and key components	71,393,349,048.52	54,115,941,632.71
Other components	9,124,031,756.16	5,826,633,860.21
Intelligent logistics	38,705,879,256.38	30,082,495,177.14
Others	7,164,635,346.47	4,469,488,423.63
Total	126,387,895,407.53	94,494,559,093.69

### Geographic information

Revenue from external transactions

RMB

Item	Incurred during this period	Incurred in the previous period
China	85,055,038,237.78	62,998,805,496.83
Other countries and regions	41,332,857,169.75	31,495,753,596.86
Total	126,387,895,407.53	94,494,559,093.69

Revenue from external transactions is attributable to the areas where customers are located.

Total non-current assets

RMB

Item	30 June 2021	31 December 2020
China	27,531,488,007.38	22,844,348,892.36
Other countries and regions	72,474,493,769.52	74,897,471,777.58
Total	100,005,981,776.90	97,741,820,669.94

Non-current assets are attributable to the areas where the assets are located, excluding long-term receivables, financial assets and deferred tax assets.

### 3. NOTES RECEIVABLE

#### Classification of notes receivable

RMB

Item	30 June 2021	31 December 2020
Bank acceptance bills	23,260,785,217.52	19,187,372,264.36
Commercial acceptance bills	85,472,099.92	109,119,348.62
Total	<u>23,346,257,317.44</u>	<u>19,296,491,612.98</u>

#### Notes receivable pledged by the Group as at period end

RMB

Item	30 June 2021	31 December 2020
Bank acceptance bills	12,069,034,579.16	10,674,221,892.99
Commercial acceptance bills	85,472,099.92	29,286,642.01
Total	<u>12,154,506,679.08</u>	<u>10,703,508,535.00</u>

#### Notes receivable endorsed or discounted as at period end and not yet expired as at the balance sheet date

RMB

	30 June 2021	
	Derecognized	Not derecognized
Bank acceptance bills	<u>2,952,062,619.68</u>	<u>–</u>

As at 30 June 2021, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2020: Nil).

As the Group considered that the credit rating of the bank acceptance bills was relatively high and the credit quality of acceptors of all commercial acceptance bills held by it was good, there was no significant credit risk. Therefore, no provision for losses was made.

#### 4. ACCOUNTS RECEIVABLE

The Group trades with its customers primarily on credit terms, and generally requires prepayments or cash on delivery for new customers. Credit period for credit customers is generally one to twelve months. Accounts receivable is non-interest bearing.

An aging analysis of accounts receivable based on invoice dates is presented as follows:

RMB

Age	30 June 2021	31 December 2020
Within 1 year	21,457,534,731.44	14,839,830,771.42
1 to 2 years	739,805,086.64	1,444,600,946.65
2 to 3 years	855,432,405.84	205,578,596.71
Over 3 years	1,113,399,404.76	1,075,242,691.44
Gross carrying amount	24,166,171,628.68	17,565,253,006.22
Less: Provision for credit losses	2,263,627,817.08	2,143,374,394.89
Carrying amount	21,902,543,811.60	15,421,878,611.33

Disclosure by category of provision for credit losses:

RMB

Item	30 June 2021				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	3,023,145,770.16	12.51	1,556,615,529.27	51.49	1,466,530,240.89
Items assessed for expected credit losses by group with distinctive credit risk characteristics	21,143,025,858.52	87.49	707,012,287.81	3.34	20,436,013,570.71
Total	24,166,171,628.68	100.00	2,263,627,817.08	9.37	21,902,543,811.60

RMB

Item	31 December 2020				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	3,050,636,605.02	17.37	1,497,880,782.50	49.10	1,552,755,822.52
Items assessed for expected credit losses by group with distinctive credit risk characteristics	14,514,616,401.20	82.63	645,493,612.39	4.45	13,869,122,788.81
Total	17,565,253,006.22	100.00	2,143,374,394.89	12.20	15,421,878,611.33

As at 30 June 2021, the Group's accounts receivable assessed for expected credit losses individually are presented as follows:

RMB

Customers	Gross carrying amount	Provision for credit losses	Percentage (%)	Reasons
Customer 1	797,843,467.74	478,983,700.00	60.03	Bad repayment ability
Customer 2	109,207,518.83	109,207,518.83	100.00	Long credit age
Customer 3	75,871,191.17	75,871,191.17	100.00	Bad repayment ability
Customer 4	72,904,639.10	43,742,783.46	60.00	Bad repayment ability
Customer 5	61,493,300.24	61,493,300.24	100.00	Long credit age
Customer 6	56,927,140.00	56,927,140.00	100.00	Long credit age
Customer 7	49,159,575.31	49,159,575.31	100.00	Bad repayment ability
Customer 8	41,456,048.62	41,456,048.62	100.00	Long credit age
Customer 9	40,516,068.59	40,516,068.59	100.00	Bad repayment ability
Customer 10	37,449,568.86	37,449,568.86	100.00	Liquidation
Others	1,680,317,251.70	561,808,634.19	–	Long credit age etc.
Total	<u>3,023,145,770.16</u>	<u>1,556,615,529.27</u>	–	–

As at 30 June 2021, the Group's accounts receivable for which credit losses are provided for using impairment matrix based on aging analysis are presented as follows:

RMB

Age	30 June 2021		
	Carrying amount estimated to be in default	Lifetime expected credit loss	Expected credit loss rate (%)
Within 1 year	9,542,329,459.14	214,065,198.12	2.24
1 to 2 years	208,073,561.28	36,361,434.57	17.48
2 to 3 years	72,983,418.92	22,042,496.77	30.20
3 to 4 years	34,774,537.21	19,118,662.92	54.98
4 to 5 years	50,559,138.72	46,626,103.17	92.22
Over 5 years	298,763,530.63	298,763,530.63	100.00
Total	<u>10,207,483,645.90</u>	<u>636,977,426.18</u>	6.24

As at 30 June 2021, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

RMB

Overdue ages	30 June 2021		
	Carrying amount estimated to be in default	Lifetime expected credit loss	Expected credit loss rate (%)
Not yet overdue or overdue for less than 90 days	8,944,123,001.57	36,656,271.02	0.41
Overdue for more than 90 days but less than 180 days	228,801,559.71	4,486,616.81	1.96
Overdue for more than 180 days	296,188,320.45	8,973,233.61	3.03
Total	9,469,112,881.73	50,116,121.44	0.53

As at 30 June 2021, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

RMB

Item	30 June 2021		
	Carrying amount estimated to be in default	Lifetime expected credit loss	Expected credit loss rate (%)
Accounts receivable with good credit history	1,466,429,330.89	19,918,740.19	1.36

As at 30 June 2021, top five balances in respect of accounts receivable by closing balance are presented as follows:

RMB

Name of entity	Gross carrying amount	Proportion (%)	Provision for credit losses
First	797,843,467.74	3.30	478,983,700.00
Second	509,879,287.46	2.11	149,998.70
Third	475,667,198.00	1.97	4,636,899.57
Fourth	473,775,267.79	1.96	11,464,209.68
Fifth	408,035,356.10	1.69	120,037.77
Total	2,665,200,577.09	11.03	495,354,845.72

Movements in provision for credit losses:

RMB

<b>Provision for credit losses</b>	<b>Lifetime expected credit loss (without impairment of credit)</b>	<b>Lifetime expected credit loss (with impairment of credit)</b>	<b>Total</b>
Balance as at 31 December 2020	1,149,438,426.26	993,935,968.63	2,143,374,394.89
Balance as at 31 December 2020 in the current period			
– Transferred to receivables with impairment of credit	(4,845,523.46)	4,845,523.46	–
– Reversal of receivables without impairment of credit	–	–	–
Provision for the period	158,013,138.42	59,700,154.84	217,713,293.26
Reversal during the period	(76,501,753.80)	(788,653.54)	(77,290,407.34)
Transferred out during the period	–	–	–
Written-off during the period	–	(7,330,684.05)	(7,330,684.05)
Adjustment for exchange differences	(12,825,913.92)	(12,865.76)	(12,838,779.68)
Balance as at 30 June 2021	<u>1,213,278,373.50</u>	<u>1,050,349,443.58</u>	<u>2,263,627,817.08</u>

As at 30 June 2021, the Group had no restricted accounts receivable (31 December 2020: Nil).

## 5. RECEIVABLE FINANCING

Classification of receivable financing

RMB

<b>Items</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Bank acceptance bills at fair value	<u>17,733,512,053.73</u>	<u>9,483,678,101.82</u>

Receivable financing pledged by the Group as at period end

RMB

<b>Items</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Bank acceptance bills at fair value	<u>7,601,718,488.07</u>	<u>4,243,638,346.92</u>

Receivable financing endorsed or discounted as at period end and not yet expired as at the balance sheet date

*RMB*

Items	30 June 2021	
	Derecognized	Not derecognized
Bank acceptance bills at fair value	<b>15,207,486,736.47</b>	<b>–</b>

## 6. NOTES PAYABLE

*RMB*

Items	30 June 2021	31 December 2020
Bank acceptance bills	<b>292,798,643.46</b>	72,701,616.78
Commercial acceptance bills	<b>29,508,818,158.04</b>	22,897,792,119.42
Total	<b>29,801,616,801.50</b>	22,970,493,736.20

As at 30 June 2021, the Group had no outstanding notes payable which were due (31 December 2020: Nil).

## 7. ACCOUNTS PAYABLE

*RMB*

Items	30 June 2021	31 December 2020
Within 3 months	<b>43,499,338,123.90</b>	38,941,972,550.33
3 to 6 months	<b>6,420,811,903.66</b>	5,140,360,453.02
6 to 12 months	<b>781,442,053.54</b>	619,577,261.89
Over 12 months	<b>764,450,961.88</b>	748,014,731.15
Total	<b>51,466,043,042.98</b>	45,449,924,996.39

Accounts payable are non-interest bearing, and are generally settled within three to six months.

As at 30 June 2021, there was no payable which was material and aged over one year (31 December 2020: Nil).

## 8. REVENUE AND COST OF SALES

### (1) Revenue and cost of sales

RMB

Item	Incurred during this period		Incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	120,522,675,438.40	97,089,581,433.04	91,070,191,344.94	72,839,210,382.86
Other revenue	5,865,219,969.13	5,487,610,882.13	3,424,367,748.75	3,150,432,799.38
Total	126,387,895,407.53	102,577,192,315.17	94,494,559,093.69	75,989,643,182.24

### (2) Reporting segment

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Total
Classified by major regions of operation:				
Including: Mainland China	30,729,216,478.17	51,932,021,611.02	2,393,800,148.59	85,055,038,237.78
Other countries and regions	2,249,285,938.45	2,771,492,123.51	36,312,079,107.79	41,332,857,169.75
Total	32,978,502,416.62	54,703,513,734.53	38,705,879,256.38	126,387,895,407.53
Classified by time for recognition of revenue:				
Including: Transferred at a certain point of time	32,874,730,961.69	54,668,569,763.97	19,486,650,792.41	107,029,951,518.07
Provided over a certain period of time	79,327,122.96	15,763,512.82	15,477,256,502.85	15,572,347,138.63
Revenue arising from the contracts with customers	32,954,058,084.65	54,684,333,276.79	34,963,907,295.26	122,602,298,656.70
Revenue under the Standard on Lease	24,444,331.97	19,180,457.74	3,741,971,961.12	3,785,596,750.83
Total	32,978,502,416.62	54,703,513,734.53	38,705,879,256.38	126,387,895,407.53

**(3) Performance of obligations**

The supply chain solution services provided by the Group belong to the performance obligation satisfied over a certain period of time. The performance costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance of supply chain solution services contracts. As at 30 June 2021, some of the Group's supply chain solution services contracts were still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each supply chain solution services contract, and will be recognized as revenue in the future performance period of each supply chain solution services contracts based on the performance progress.

**9. TAXES AND SURCHARGES**

*RMB*

<b>Items</b>	<b>Incurred during this period</b>	<b>Incurred in the previous period</b>
City maintenance and construction tax	<b>175,564,018.89</b>	133,928,314.59
Educational surtax	<b>131,222,576.83</b>	98,313,548.74
Property tax	<b>101,285,436.81</b>	76,149,490.37
Stamp duty	<b>57,470,390.31</b>	44,442,522.00
Others	<b>48,927,497.30</b>	79,794,302.80
	<hr/>	<hr/>
Total	<b>514,469,920.14</b>	432,628,178.50

**10. INCOME TAX EXPENSES**

*RMB*

<b>Items</b>	<b>Incurred during this period</b>	<b>Incurred in the previous period</b>
Current tax expenses	<b>2,556,839,137.37</b>	1,932,214,146.17
Deferred tax expenses	<b>(839,598,369.06)</b>	(929,457,396.18)
	<hr/>	<hr/>
Total	<b>1,717,240,768.31</b>	1,002,756,749.99

The relationship between income tax expenses and the total profit is listed as follows:

RMB

Items		Incurring during this period	Incurring in the previous period
Total profit		9,972,141,304.76	6,704,590,954.85
Tax at statutory tax rate	Note 1	2,493,035,326.19	1,676,147,738.71
Effect of different tax rates applicable to the Company and some subsidiaries	Note 2	(707,143,408.52)	(684,883,163.22)
Effect of tax rate change on opening balance of deferred income tax		(6,853,813.93)	(8,028,073.49)
Effect of adjustments to tax of previous periods		(39,593,003.17)	(17,349,765.33)
Profits and losses attributable to associates and joint ventures		(35,610,693.71)	(21,602,451.59)
Income not subject to tax		(53,891,096.87)	(39,095,451.57)
Expenses not deductible for tax		75,628,814.09	67,464,398.56
Tax incentives on eligible expenditures		(314,295,417.67)	(206,771,432.11)
Utilization of deductible losses from prior years		(4,684,886.11)	(4,383,035.85)
Unrecognized deductible losses		292,635,666.54	201,427,965.99
Effect of unrecognized deductible temporary difference		15,993,980.72	37,777,444.71
Others		2,019,300.75	2,052,575.18
Tax expense at the Group's effective tax rate		<u>1,717,240,768.31</u>	<u>1,002,756,749.99</u>

Note 1: The Company is subject to a statutory tax rate of 25%.

Note 2: The PRC income tax of the Group is calculated based on the estimated taxable income gained in the PRC and applicable tax rate. Tax arising from the taxable income in other regions is calculated at applicable tax rate according to existing laws, interpretations and practices of the country in which the Group operates.

No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the Period.

## 11. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

The calculation of basic EPS is detailed as follows:

RMB

Items	Incurring during this period	Incurring in previous period
<b>Earnings</b>		
Net profit of the current period attributable to ordinary shareholders of the Company	6,431,644,827.88	4,680,231,806.93
<b>Shares</b>		
Weighted average number of the ordinary shares outstanding of the Company	8,065,987,716.00	7,933,873,895.00
Basic EPS (RMB/share)	<u>0.80</u>	<u>0.59</u>

The Group holds no potential shares that are significantly dilutive.

## 12. OTHER COMPREHENSIVE INCOME

Other comprehensive income, on a cumulative basis, attributable to shareholders of parent company as shown in the consolidated balance sheet is as follows:

RMB

Items	Balance as at 31 December 2020	Incurred during this period					30 June 2021
		Amount before the income tax incurred for the current period	Less: Amount recognized in other comprehensive income in previous period and recognized in profit or loss in current period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Those other comprehensive income not to be reclassified into profit or loss	(978,252,179.09)	2,180,609,402.46	–	568,362,609.21	967,481,570.85	644,765,222.40	(10,770,608.24)
Changes arising from remeasuring of defined benefit plan	(1,372,279,480.28)	1,673,257,812.35	–	491,991,810.55	534,286,612.60	646,979,389.20	(837,992,867.68)
Other comprehensive income not to be reclassified into profit or loss using the equity method	(147,444,220.30)	(6,043,159.40)	–	–	(4,480,204.89)	(1,562,954.51)	(151,924,425.19)
Change in fair value of investment in other equity instruments	541,471,521.49	513,394,749.51	–	76,370,798.66	437,675,163.14	(651,212.29)	979,146,684.63
II. Other comprehensive income to be reclassified into profit or loss	(1,272,574,588.70)	17,147,711.20	17,313,720.00	(2,384,880.00)	181,174,262.95	(178,955,391.75)	(1,091,400,325.75)
Other comprehensive income to be reclassified into profit or loss using the equity method	38,927,058.35	1,094,492.00	–	–	1,094,492.00	–	40,021,550.35
Cashflow hedging reserve	(10,501,515.24)	17,764,180.86	17,313,720.00	(2,384,880.00)	6,152,104.98	(3,316,764.12)	(4,349,410.26)
Exchange differences on foreign currency translation	(1,301,000,131.81)	(1,710,961.66)	–	–	173,927,665.97	(175,638,627.63)	(1,127,072,465.84)
Total other comprehensive income	(2,250,826,767.79)	2,197,757,113.66	17,313,720.00	565,977,729.21	1,148,655,833.80	465,809,830.65	(1,102,170,933.99)

## 13. DIVIDEND

On 30 August 2021, the Board passed a resolution to propose the distribution to all shareholders of cash dividend of RMB1.85 (including tax) for every 10 shares based on the total share capital of 8,726,556,821 shares of the Company, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details of the closure of registers of members in determining the shareholders who are eligible for the 2021 interim dividend.

At the annual general meeting of shareholders of the Company held on 28 June 2021, a mandate has been granted to the Board for the payment of the 2021 interim dividend.

## **CHAIRMAN'S STATEMENT**

### **I. REVIEW OF OPERATING CONDITIONS**

In the first half of 2021, the Chinese government has implemented various measures to prevent and control the spread of COVID-19 and to facilitate economic development. Adhering to the general keynote of seeking progress while maintaining stability and sustaining high-quality development, the Chinese government focused on the implementation of “Six Priorities” and “Six Stability”. As a result, new growth drivers developed rapidly with steady improvement in quality and efficiency. The major macroeconomic indicators were within a reasonable range, and the economic development showed a positive trend of strengthening and improvement on the basis of stability. In the first half of the year, the gross domestic product reached RMB53.2 trillion, representing a year-on-year increase of 12.7%. The heavy-duty truck industry delivered sales volume of 1,045,000 units, representing a year-on-year growth of 28.0%; the construction machinery industry delivered sales volume of 617,000 units (including forklift trucks using internal combustion engines), representing a year-on-year growth of 33.0%.

During the Period, on the premise of prevention and control of the spread of COVID-19, the Company upheld its strategy of being innovation-oriented and going high-end. The dominant position of traditional business has become more solid. The performance contribution of overseas business has increased significantly. New business formats, new energy and new technologies have continued to break through. The Company's industrial structure, cycle structure and regional structure have been further optimised. Its risk resistance capacity and comprehensive competitiveness have been further improved. In the first half of the year, the Company's revenue increased by approximately 33.8% as compared with that in the corresponding period of 2020 to approximately RMB126,388 million. Net profit attributable to shareholders of the listed company was approximately RMB6,432 million, representing an increase of approximately 37.4% as compared with that in the corresponding period of 2020. Basic earnings per share was RMB0.80, representing an increase of approximately 35.2% as compared with that in the corresponding period of 2020.

#### **1. Power System Business**

The Company sped up the pace of key technological breakthroughs and led the industrial transformation and upgrade. Leveraging the globally coordinated research and development (R&D) platform, the Company built up its forward-looking design capabilities based on its tool platform and its performance development capabilities based on its segment markets. Our products achieved remarkable results in terms of the reduction of costs, the lowering of fuel consumption and light-weighting. Road-going China VI engines have been in full compliance with the regulatory requirements while non-road-going China IV engines have been under constant upgrades by generations. Our WP2.3N engines have been listed on the first environmental information disclosure list of non-road-going stage IV products in China; the first commercial diesel engines in the world with a thermal efficiency of over 50% were released, which provided powerful technological reserves for the improvement of thermal efficiency in our full series of products. The Company

focused on segment markets to consolidate the competitive edges for full series of products. Market performance of engines such as the WP8, WP10.5H, WP12 and WP13 were stable with continuous increase in market share. The consistency of the N-series engines continued to improve and the WP2.5N products were officially released, the dynamics of which fully outperformed its competitive products with all indicators comparable with the first-class standards in China. After entering into the high-end pick-up truck market, such products filled up Weichai's gap in the area of 2L engines. Committed to creating synergy by combining resources and speeding up the integration of the industrial chain, with power system as its core, the Company took full advantage of systematic matching of its products. The continuous breakthrough in the core technologies of three new major powertrains, namely hydraulic powertrains, CVT powertrains and new energy powertrains, enhanced the level of autonomy of and control over our core technologies.

During the Period, the Company's powertrain business hit another record high: sales volume of engines increased year-on-year by 42.8% to 671,000 units, in which the sales volume of heavy-duty truck engines was 339,000 units, representing a year-on-year growth in market share by 3.2 percentage points to 32.4%; sales volume of gear boxes increased year-on-year by 32.4% to 802,000 units, in which the sales volume of heavy-duty truck gear boxes was 782,000 units, representing a year-on-year growth in market share by 2.8 percentage points to 74.9%; sales volume of axles increased year-on-year by 19.5% to 638,000 units. At the same time, our high-end strategic products continued to develop, with sales revenue of large-diameter engines achieving RMB520 million, representing a year-on-year growth of 24.2%, and sales revenue of high-end hydraulic products achieving RMB290 million, representing a year-on-year growth of 27.3%.

## **2. Complete Vehicles and Machineries Business**

Upholding a strategy driven by complete vehicles and machineries, the Company sped up the coordination of resources and the optimisation and upgrade of the industry chain, and further enhanced its comprehensive strengths. Focusing on customers' demand and keeping up with the upgrade of laws and regulations, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, promoted the adjustment and optimisation of its product structure thereby achieving a stable improvement in operational results with a total heavy-duty trucks sales volume of 117,000 units in the Period, representing a year-on-year growth of 32.4%. Seizing the opportunity of China VI and consolidating the leading advantage, the Company determined to win the "five critical battles" of elimination of China V, introduction of China VI, breakthrough in long-distance standard cargo capacity, improvement in regional targets and marketing guarantee support. The Company delivered high-quality products with high customer satisfaction in an efficient manner; it continued to maintain the industry's leading edge in the segment markets of tractor economic market, port tractor market, and sand and gravel transportation market. Upholding an innovation-driven approach to create new competitive edges, Delong X6000, a new generation of high-end product platform, performs significantly well in fuel saving, comfort, safety and intelligence, precisely meeting the demand of high-efficiency logistics such as fast delivery and point-to-point express. The Company accelerated

the effective combination of management of customers' demand with the internet throughout the life cycle of trucks, and launched the SIC-PILOT platform to create automatic driving solutions under different scenarios. Meanwhile, the fuel battery project has successfully passed the examination of the National Ministry of Industry and Information. The capacity expansion for heavy-duty trucks and the improvement projects for quality inspection capabilities have been steadily progressing, accumulating new momentum for development.

### **3. Intelligent Logistics Business**

KION Group AG ("KION"), an overseas controlling subsidiary of the Company, is a globally leading supplier in the area of intralogistics, and has two major businesses of Industrial Trucks & Services and Supply Chain Solutions. In the first half of 2021, benefitting from the recovery of Industrial Trucks & Services and the continuous growth of Supply Chain Solutions, KION has delivered an outstanding performance in various operating indicators and realised a sales revenue of EUR4.968 billion, representing a year-on-year growth of 26.5%. In particular, the sales volume from the business of Supply Chain Solutions (represented by Dematic Group) had a substantial year-on-year increase of 52.8%. A net profit of EUR290 million was realised, representing a year-on-year growth of 4.8 times. With the recovery of global economy, it is expected that KION will continue to stage a revival in sales volume in the second half of the year.

### **4. New Business Format, New Energy and New Technology**

The Company actively implemented the new energy development strategy of China by continuously expediting the development of industry layout and making breakthroughs in core technologies, with a view to facilitating the re-engineering of the industrial chain and the upgrade of value chain. The Company mastered key technologies and took lead in industry development. The strategic cooperation with Switzerland-based FISCHER Spindle Group AG further extended the vertical layout of fuel cell industrial chain, strengthened the core competitiveness of fuel cell powertrain and made up for the shortcomings in the hydrogen-fueled batteries core components in China. The Company built an internationally quality fuel cell industrial park which integrates functions including R&D, testing, inspection and trial production, providing comprehensive industrial chain testing capability covering aspects including "basic materials – single cell – voltaic pile – key components – engines – power system – complete vehicles" of hydrogen-fueled batteries. We supported the launch of 29 fuel cell specialized bus routes in the country with a total mileage of over 8 million kilometres. This year in March, the nation's only National Fuel Cell Technology Innovation Centre (國家燃料電池技術創新中心) was established in Shandong, as led by Weichai Power. Supported by the new generation of information technology, the Company sped up the pace of digital transformation. Focusing on our customers and leveraging big data and digitisation, we used new technologies including "big data, intelligent technologies, mobile network, cloud computing and internet of things (IoT)" to promote the digitisation of business, realise intelligent R&D, intelligent supply chain, intelligent service and intelligent operation, develop artificial intelligence and internet of vehicles businesses and expedite the development of artificial intelligence technologies to achieve "business scenario + AI".

## **II. DIVIDENDS AND CAPITALISATION OF RESERVE**

On 28 June 2021, the Company's 2020 profit distribution proposal was considered and approved at the Company's 2020 annual general meeting. Based on the 8,726,556,821 shares in total, the Company distributed to all shareholders a cash dividend of RMB2.33 (including tax) for every 10 shares held, without any capitalisation of reserve.

On 30 August 2021, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of a cash dividend of RMB1.85 (including tax) for every 10 shares held, based on the total number of shares of the Company of 8,726,556,821 shares, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2021 interim dividend.

## **III. OUTLOOK AND PROSPECTS**

Looking into the second half of 2021, the global economy is expected to recover gradually. Due to regional differences in the supply of vaccines, COVID-19 infection rates and ability in providing policy support, the recovery of the world's economies will show a diversified pattern. On one hand, the international trade landscape will continue to undergo adjustments with uncertain inflations and more external instabilities and uncertainties. On the other hand, from the perspective of the domestic situation, making progress while maintaining stability will remain the general keynote. The overall internal driving force for the economy will continue to strengthen and market entities will be constantly motivated. Affected by factors including the emission standard upgrade of China VI products, normalisation of the regulations of oversize and overloading and increase in investment in infrastructure, it is expected that the development of the heavy-duty truck industry will be driven jointly by the updated and new demands. Sales volume of light-duty truck industry will be stable due to increasing logistics demands in segments including e-commerce, urban distribution and cold chain and the accelerated compliance progress of light-duty truck industry. The "new infrastructure" will lead to expansion of 5G applications and acceleration of construction of industrial internets and data centres, which will boost the rapid development of various related industries with increasing demand for electricity and bring positive prospects to the electricity market. The commencement of online trading of the national carbon market together with the environmentally-friendly and low-carbon trend in industrial structure and energy consumption will bring opportunities for the high-quality developments of the Company's new energy and other strategic businesses.

Adhering to the principle of aiming at customer satisfaction, the Company will seize opportunities in segment markets, speed up the development high-end products and keep enhancing the level of operation, with a view to consolidating the core competitive advantage of the Company.

Focusing on achieving the annual sales target, the Company will strive for market expansion. By adhering to a customer-oriented approach and giving full play to the advantage of comprehensive full-series products, the Company will target at strategic markets and emerging markets and steadfastly capture market demands and secure orders. We analyse customer demand accurately and offer good product portfolios by focusing on key segment markets such as express and freight delivery and urban logistics. By paying close attention to the transition to China VI products, we will improve on our shortcomings and weaknesses to achieve independence and controllability over the industrial chain and supply chain. By strengthening the expansion in non-road-going markets such as construction machinery, agricultural equipment and industrial power, we speed up the application of large-diameter engines to the high-end markets such as big data centers and emergency power supply for mining. We will conduct systematic analysis on emission regulations and industry trends to adjust structures, remedy shortcomings and coordinate product and technology planning. Adhering to the innovation-driven approach, the Company will accelerate its pace in the move to the middle and upper end of the value chain. Through maintaining high standards and making significant investments in R&D, we will put our globally coordinated R&D resources to good use and make breakthroughs in key core technologies, with a view to maintaining our leading position with reference to indicators including product affordability, reliability and power performance. We will take the lead in green development with continuous improvement in the thermal efficiency of all series of engines and accelerate development of 51% thermal efficiency. We will promote strenuously the development of hydraulic power system for construction machineries and agricultural equipment CVT powertrain to break through the technology blockades of foreign countries and gain an edge in terms of product differentiation. We will accelerate the development of electric control system of engine, new energy and hydraulics with a focus on getting beyond the stage of cooperation for development in the production of key chips in China. The Company will focus on improving quality and efficiency and enhancing the quality of operation comprehensively. We will carry on cost reduction work during the courses of processing, design, procurement and manufacturing and take multiple measures to enhance the profitability of different series of products. The Company will rely on indicators and data to strengthen the digging of internal and external operating information and support the innovation of business model with digitalisation capabilities. We will promote the full coverage of the WOS system and, as guided by the quality management system, build a management system which integrates the quality of R&D, production, sales and management, with an aim of realising standardised management of the entire chain. We will step up on the construction of an eco-system for innovation and achieve a new height in business and entrepreneurship. We will strengthen the talent-pool building and introduce high-level talents from domestic and overseas high-end talent markets to match the construction of talent-pool with industrial development. The Company will launch a system of personal undertaking and implement innovative incentive systems including virtual stimulation of production value, upfront incentives and results-sharing, for the purpose of motivating technical staff to be innovative and creative. The Company will also create an atmosphere which shows respects to labour, knowledge, talents and creation, with a view to fundamentally activating the potential and vitality of talents and achieving mutual growth and development of our employees and of the Company, thereby fully enhancing the core competitiveness of the Company.

## **IV. APPRECIATION**

Last but not least, I would like to express my sincere appreciation to all our shareholders, the general public and our customers for their care and support, as well as to all of our staff for their hard work and dedication!

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Directors are pleased to present a management discussion and analysis of the results of operations of the Group for the six months ended 30 June 2021 (the “Period”) as follows:

### **I. Industry Analysis**

The Company is one of the vehicle and equipment manufacturing conglomerates in the PRC with the best comprehensive strengths. It is a leading company in the markets of powertrain, complete vehicles and machines, hydraulic controlling parts and automotive electronics and parts and components and is equipped with the most comprehensive golden industrial chain of engines, gear boxes and axles, and offers related aftersales market services. Meanwhile, with its leading advantages in intelligent logistics, the Group can provide the most comprehensive logistics solutions to its customers.

#### ***1. Commercial Vehicles and Construction Machinery Industries***

In the first half of 2021, with the commencement of COVID-19 vaccination in various countries, global economic activities have gradually resumed. However, the appearance of variants of COVID-19 in many countries and the discrepancies in the supply of vaccines and the governments’ capabilities to provide policy support have caused regional differences and uncertainties in the recovery of the world economy. The Chinese government adhered to the implementation of “Six Priorities” and “Six Stability”, leading to a steady recovery in the epidemic control and economic growth. In the first half of the year, the gross domestic product of the PRC reached RMB53.2 trillion, representing a year-on-year increase of 12.7%.

Benefitting from the favourable factors such as upgrade of emission standards, normalisation of overloading control, national investment in fixed assets and new infrastructures, and the promotion of the application of big data and 5G, the domestic commercial vehicles and construction machinery industries operated at a high level. During the Period, the heavy truck market achieved a sales volume of approximately 1.045 million units, representing a year-on-year increase of approximately 28.1%; the construction machinery industry (including forklift trucks using internal combustion engines) achieved a sales volume of approximately 617,000 units in the first half of the year, representing a year-on-year increase of approximately 33.0%.

## **2. *Forklift Truck and Supply Chain Solutions Industry***

During the Period, the global economy had a better performance than the corresponding period in 2020. The Chinese economy continued to grow with the pandemic under control, while due to the fragmented and slow progress of vaccination as well as the travel restrictions in some cities, the pace of recovery of the Eurozone economy has been slow. With the gradual recovery of economy, the order size of industrial forklift trucks increased significantly by 72.3% to approximately 1,217,500 units as compared to approximately 706,400 units in the same period of the previous year. In particular, the increase recorded in China, North America, Western Europe and Eastern Europe was over 70%. Driven by the e-commerce, food and consumer goods retail industries, there has been an increase in demand for automation and intelligence in warehouses and distribution centres, leading to continuous and steady growth in the supply chain solutions industry.

## **II. The Group's Business**

An analysis of the Group's business segments is set out in Note 2 to the consolidated financial statements. The following is an overview of the operating conditions of the major products of the Group:

### **1. *Powertrain, Complete Vehicles and Machines and Key Components***

The Group had the most comprehensive powertrain system covering engines, gear boxes and axles. With the advantages of the globally coordinated R&D platform, the Company sped up on making breakthroughs in core technologies. With powertrain as the core, the Company took full advantage of systematic matchings. The Company strengthened its capabilities of research and development based on segment markets and achieved outstanding results in different aspects including reduction of costs, lowering of fuel consumption as well as light-weighting. We continued to improve the core competitiveness of products and sped up the integration of industrial chain. In the first half of 2021, the Company sold a total of approximately 671,000 units of engines and approximately 802,000 units of gear boxes, representing a year-on-year increase of approximately 42.8% and approximately 32.4%, as compared with their respective sales of approximately 470,000 units and approximately 605,000 units in the corresponding period last year. The engines segment contributed approximately RMB32,979 million to the Group's sales revenue during the Period, representing a year-on-year increase of 47.4%.

During the Period, orientated by customers' needs and guided by upgrades in laws and regulations, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Group, optimised its product structure and seized market share. During the Period, the Group's aggregate sales of heavy-duty truck engines amounted to approximately 117,000 units, representing a year-on-year growth of approximately 32.4%.

## **2. *Intelligent Logistics***

During the Period, the Group's sales of industrial forklift trucks in China and the North America outperformed the market. Sales order for forklift trucks increased from approximately 88,900 units in the corresponding period last year to approximately 155,500 units, representing a year-on-year increase of approximately 74.8%. The total value of order intake for the first half of the year increased significantly by approximately 51.0% to approximately EUR4,021 million. In addition, the Company continued to receive big-ticket orders from e-commerce customers for supply chain solutions, leading to the total value of order intake of approximately EUR1,869 million in the first half of the year, representing a year-on-year increase of approximately 7.2%. Intelligent logistics services contributed approximately RMB38,706 million to the Group's sales revenue during the Period, which increased by approximately 28.7% as compared with approximately RMB30,082 million in the corresponding period last year.

## **III. Financial Review**

### **1. *The Group's Results of Operations***

#### **a. *Revenue***

In the first half of 2021, the Group's revenue amounted to approximately RMB126,388 million, representing an increase of approximately RMB31,893 million or 33.8% from approximately RMB94,495 million in the corresponding period in 2020, largely benefitting from the fact that the global economy gradually recovered and the domestic commercial vehicles and construction machinery market operated at a high level. Revenue from principal operations amounted to approximately RMB120,523 million, representing an increase of approximately RMB29,453 million or approximately 32.3% from approximately RMB91,070 million in the corresponding period last year.

#### **b. *Profit from Principal Operations***

During the Period, the Group generated profit from principal operations in the amount of approximately RMB23,433 million, representing an increase of approximately RMB5,202 million or 28.5% from approximately RMB18,231 million recorded in the corresponding period in 2020. It was mainly driven by the substantial increase in sales of engines and the rapid recovery of intelligent logistics business. Although prices of commodities rose during the Period, we maintained a stable profit margin from principal operations at approximately 19.4% under the Company's strict control of costs.

c. *Distribution and Selling Expenses*

The distribution and selling expenses increased by approximately RMB1,000 million or 18.8% from approximately RMB5,313 million in the corresponding period of 2020 to approximately RMB6,313 million during the Period. The increase of distribution and selling expenses was primarily attributable to a substantial increase in revenue, as well as the increase in both the costs of freight and packaging and the after-sales and repair fees. With the effective control over expenses by the Company, the distribution and selling expenses as a percentage of revenue decreased to approximately 5.0% during the Period from approximately 5.6% during the corresponding period last year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB813 million or 23.9% from approximately RMB3,397 million in the corresponding period of 2020 to approximately RMB4,210 million during the Period. The increase in general and administrative expenses was mainly due to business resuming expansion, which led to increase in staff costs and external support fees, while the overall expenses were under effective control and the general and administrative expenses as a percentage of revenue decreased from approximately 3.6% in the corresponding period last year to approximately 3.3% during the Period.

e. *Earnings Before Interest and Tax (EBIT)*

During the Period, the Group's EBIT was approximately RMB10,503 million, representing an increase of approximately RMB3,210 million or 44.0% from approximately RMB7,293 million in the corresponding period last year. The increase in EBIT was primarily attributable to the significant increase of contribution by engine and intelligent logistics segments during the Period, increasing EBIT margin of the Group from approximately 7.7% in the corresponding period of 2020 to approximately 8.3% during the Period.

f. *Finance Expenses*

Finance expenses decreased from approximately RMB166 million in the corresponding period of 2020 to a net finance income of approximately RMB196 million during the Period. This was mainly due to the increase in net interest income by approximately RMB177 million and the increase in foreign exchange gain.

g. *Income Tax Expenses*

The Group's income tax expenses increased by 71.3% from approximately RMB1,003 million in the corresponding period in 2020 to approximately RMB1,717 million during the Period, which was mainly attributable to increase in total profit. During the Period, The Group's increase in offshore profits led to the increase in the average effective tax rate from approximately 15.0% in the corresponding period last year to approximately 17.2% during the Period.

*h. Net Profit and Net Profit Margin*

The Group's net profit for the Period was approximately RMB8,255 million, representing an increase of approximately RMB2,553 million or 44.8% from approximately RMB5,702 million in the corresponding period last year. Net profit margin for the Period was approximately 6.5%, which increased by 0.5 percentage points from approximately 6.0% in the corresponding period last year.

*i. Liquidity and Cash Flow*

During the Period, the Group generated net operating cash flows of approximately RMB7,151 million and cash inflow from financing activities of approximately RMB15,922 million. A portion of such proceeds was applied to repaying debts, paying investment monies and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As at 30 June 2021, the Group's gearing ratio (interest-bearing debts/(interest-bearing debts + shareholders' equity)) was approximately 21.5% (31 December 2020: approximately 26.6%).

**2. Financial Position**

*a. Assets and Liabilities*

As at 30 June 2021, the Group had total assets of approximately RMB304,182 million, of which approximately RMB184,238 million were current assets. As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB77,393 million (as at 31 December 2020: approximately RMB62,216 million). On the same date, the Group's total liabilities amounted to approximately RMB203,165 million, of which approximately RMB142,150 million were current liabilities. The current ratio was approximately 1.30x (as at 31 December 2020: 1.23x).

*b. Capital Structure*

As at 30 June 2021, the Group had total equity of approximately RMB101,018 million, of which approximately RMB69,770 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders included the perpetual bonds in the principal amount of US\$775 million issued in September 2017. The borrowings of the Group as at 30 June 2021 amounted to approximately RMB27,640 million, which included bonds of approximately RMB7,027 million and bank borrowings of approximately RMB20,613 million. The bank borrowings included approximately RMB3,057 million of fixed interest rate bank borrowings and approximately RMB17,556 million of floating interest rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB8,647 million; borrowings repayable within a period of more than one year but

not exceeding two years were approximately RMB679 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB10,596 million; and borrowings repayable within a period of more than five years were approximately RMB691 million. Other than Euro denominated borrowings, USD-denominated borrowings and GBP-denominated borrowings equivalent to approximately RMB15,690 million, approximately RMB1,190 million and approximately RMB248 million respectively, the borrowings were Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. To prevent exchange rate risk arising from the fluctuation of the USD exchange rate, contracts have been entered into with financial institutions to swap the USD775 million USD-denominated perpetual bonds issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

*c. Pledge of Assets*

As at 30 June 2021, bank deposits, notes receivable and receivable financing of approximately RMB30,915 million (as at 31 December 2020: RMB24,429 million) were pledged to banks to secure the Group's notes payable, letters of guarantee, acceptance bills and letters of credit, etc. issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the balance sheet date was approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

*d. Contingencies*

As at 30 June 2021, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,699 million (as at 31 December 2020: approximately RMB3,587 million) to secure their obtaining and use of banking facilities.

As at 30 June 2021, the Group provided guarantee for joint liabilities in respect of potential failure of the leasees under finance leases to settle instalment payments plus interest with a risk exposure amounted to approximately RMB4,205 million (as at 31 December 2020: approximately RMB3,550 million).

*e. Commitments*

As at 30 June 2021, the Group had capital commitments of approximately RMB5,208 million (as at 31 December 2020: approximately RMB3,285 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

As at 30 June 2021, the Group had no external investment commitments (as at 31 December 2020: approximately RMB682 million).

**3. Other Financial Information**

*a. Employees*

As at 30 June 2021, the Group had approximately 87,000 employees (including approximately 37,700 employees of KION). During the Period, the Group had paid remuneration of approximately RMB27,071 million. The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the “Remuneration Committee”) on the basis of their merits, qualifications and competence.

*b. Major Investment, Acquisition and Disposal*

The Group did not have any major investment, acquisition or disposal during the Period.

*c. Subsequent Events*

- (i) On 30 August 2021, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.85 (including tax) for every 10 shares held, based on the total number of shares of the Company of 8,726,556,821 shares, without any capitalisation of reserve.
- (ii) On 13 July 2021, the Company approved the proposal concerning the Company’s acquisition of part of the equity interest of Wechai Lovol Heavy Industry Co., Ltd (“Lovel Heavy”) on its sixth provisional Board meeting 2021. The Company acquired 38.62% of the shares in Lovol Heavy held by Arbos Technology (Group) Co., Ltd. and 0.69% of the shares in Lovol Heavy held by Qingte Group Co., Ltd. in cash respectively, at a total acquisition price of approximately RMB985 million. Upon completion of the share acquisition, the Company holds a total of 39.31% of the shares of Lovol Heavy, making it the second largest shareholder of Lovol Heavy.

d. *Use of proceeds*

Reference is made to the announcements of the Company dated 24 December 2020, 25 January 2021, 26 January 2021, 29 January 2021, 12 April 2021, 23 April 2021 and 26 May 2021, and the circular (the “Circular”) of the Company dated 11 January 2021, in respect of, inter alia, the non-public issuance of A Shares.

The non-public issuance of 792,682,926 A Shares of the Company was completed on 31 May 2021 and the relevant new A Shares were listed on the Shenzhen Stock Exchange on 1 June 2021. The net proceeds were approximately RMB13 billion. The status of the use of such proceeds as of 30 June 2021 is set out below:

		RMB million		
Project name	Name of the investment project	Total investment amount of the relevant project	The amount of proceeds to be applied	The amount of proceeds applied as of 30 June 2021
	Sub-project name			
Fuel Cell Industry Chain Development Project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	712.28	500.00	0.09
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	1,512.50	500.00	–
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	1,479.27	1,000.00	0.36
Full Series of H Platform High-end Road-going Engines of China VI or above Emission Standards Project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	5,625.85	3,000.00	–
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	1,100.00	1,000.00	0.06
Large Diameter High-end Engine Industrialisation Project (大缸徑 高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	1,395.00	1,075.00	0.10
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	998.42	685.00	3.80
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	1,847.84	1,240.00	2.40
Full Series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		3,134.08	3,000.00	3.89
Replenishment of working capital		1,000.00	1,000.00	–
<b>Total</b>		<b>18,805.24</b>	<b>13,000.00</b>	<b>10.70</b>

It is expected that the remaining net proceeds, being approximately RMB12.989 billion in aggregate, would continue to be used for the relevant investment projects as set out above. The Board considers that the proceeds from the issuance of A shares had been and will be applied in accordance with the specific uses and expected timeline as disclosed in the Circular.

## OTHER INFORMATION

### Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2021, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of Director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 (Note 1)	—	0.67%
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	—	0.16%
Xu Xinyu	Beneficial owner	13,684,324 (Note 1)	—	0.16%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	—	0.16%
Yuan Hongming	Beneficial owner	1,000,440	—	0.011%
	Interest held by spouse	444	—	0.000005%
		<hr/> 1,000,884	—	<hr/> 0.011%
Yan Jianbo	Beneficial owner	1,097,904	—	0.013%
Wen Daocai	Beneficial owner	21,940	—	0.0003%

Name of Supervisor	Capacity	Number of “A” shares held	Number of “H” shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.0069%
Wu Hongwei	Beneficial owner	4,789,516	–	0.05%

*Notes:*

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became “A” shares of the Company upon the “A” share listing of the Company on the Shenzhen Stock Exchange.
2. All the shareholding interests listed in the above table are “long” position.
3. The percentage shareholding is calculated on the basis of 8,726,556,821 issued shares of the Company as at 30 June 2021 (comprising 6,783,516,821 “A” shares and 1,943,040,000 “H” shares).

### Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske (Note)	KION Group AG (“KION”)	Beneficial owner	146,460 ordinary shares	0.11%
		Interest held by spouse	93,940 ordinary shares	0.07%
			240,400 ordinary shares	0.18%

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 146,460 ordinary shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 30 June 2021, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

## Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

### (I) Changes in share capital

#### *Changes in share capital (as at 30 June 2021)*

		Before the movement		New shares issued	Increase/decrease in the movement (+, -)				After the movement	
		No. of shares	Percentage (%)		Bonus issue	Capitalisation of reserve	Others	Sub-total	No. of shares	Percentage (%)
I.	Restricted circulating shares	1,746,518,070	22.01%	792,682,926	-	-	2,876,293	795,559,219	2,542,077,289	29.13%
1.	State-owned legal person shares	1,642,531,008	20.70%	199,451,216	-	-	-	199,451,216	1,841,982,224	21.11%
2.	Shares held by other domestic entities	103,987,062	1.31%	387,195,128	-	-	2,876,293	390,071,421	494,058,483	5.66%
	including: Shares held by domestic non-state-owned legal persons	-	-	387,195,128	-	-	-	387,195,128	387,195,128	4.44%
	Shares held by domestic natural persons	103,987,062	1.31%	-	-	-	2,876,293	2,876,293	106,863,355	1.22%
3.	Shares held by foreign entities	-	-	206,036,582	-	-	-	206,036,582	206,036,582	2.36%
	including: Shares held by overseas legal persons	-	-	206,036,582	-	-	-	206,036,582	206,036,582	2.36%
II.	Non-restricted circulating shares	6,187,355,825	77.99%	-	-	-	(2,876,293)	(2,876,293)	6,184,479,532	70.87%
1.	RMB ordinary shares	4,244,315,825	53.50%	-	-	-	(2,876,293)	(2,876,293)	4,241,439,532	48.60%
2.	Overseas listed foreign shares	1,943,040,000	24.49%	-	-	-	-	-	1,943,040,000	22.27%
III.	Total number of shares	7,933,873,895	100%	792,682,926	-	-	-	792,682,926	8,726,556,821	100%

## (II) Shareholdings of the Substantial Shareholders (as at 30 June 2021)

**Total number of Shareholders** The number of shareholders is 340,248 among which 340,015 are shareholders of “A” shares and 233 are shareholders of “H” shares.

### *Shareholdings of the top ten shareholders*

Name of shareholder	Type of Shareholder	Approximate percentage of shares held (%)	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	22.22%	1,938,725,526		N/A
Weichai Group Holdings Limited	State-owned legal person	16.30%	1,422,550,620	1,345,905,600	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	6.81%	594,499,438		–
Weifang Investment Group Company Limited	State-owned legal person	3.40%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	1.87%	163,608,906		–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.31%	113,938,700		–
UBS AG	Overseas legal person	0.85%	74,264,401	72,137,804	–
Tan Xuguang	Domestic natural person	0.67%	58,842,596	44,131,947	–
Hu Zhongxiang	Domestic natural person	0.58%	50,804,566		–
GIC Private Limited	Overseas legal person	0.55%	47,712,814	47,313,414	–

*Shareholdings of the top ten non-restricted shareholders*

<b>Name of shareholder</b>	<b>Number of the non-restricted shares held</b>	<b>Types of shares</b>
HKSCC Nominees Limited	1,938,725,526	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	594,499,438	RMB ordinary shares
China Securities Finance Corporation Limited	163,608,906	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	113,938,700	RMB ordinary shares
Weichai Group Holdings Limited	76,645,020	RMB ordinary shares
Hu Zhongxiang	50,804,566	RMB ordinary shares
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan	33,002,800	RMB ordinary shares
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan	31,855,600	RMB ordinary shares
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	31,831,295	RMB ordinary shares
Bank of Communications – Rongtong Industry Prosperous Securities Investment Fund	31,423,090	RMB ordinary shares

*Notes:*

1. Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holdings Limited. It is not certain whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholders or whether there is any acting in concert relationship among them.
2. Among the top ten shareholders of the Company, Hu Zhongxiang holds 48,804,566 shares through the client credit trading guarantee securities account.

## Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 30 June 2021, the following persons (other than the directors, chief executive and supervisors) had the following interests and the short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	1,422,550,620	20.97%	–	–	16.30%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,422,550,620	20.97%	–	–	16.30%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.60%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.30%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.02%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.17%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.19%</u>
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.10%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.13%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	0.96%
Lazard Asset Management LLC	Investment manager	Long	–	–	328,810,940	16.92%	3.77%
Schroders Plc	Investment manager	Long	–	–	196,702,854	10.12%	2.25%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	1,896,483	0.10%	0.02%
	Person having a security interest in shares	Long	–	–	14,672	0.00%	0.00%
	Approved lending agent	Long	–	–	134,033,276	6.89%	1.54%
					135,944,431	6.99%	1.56%
	Interest of corporation controlled by you	Short	–	–	610,499	0.03%	0.01%
Brown Brothers Harriman & Co.	Approved lending agent	Long	–	–	115,720,915	5.96%	1.33%

*Notes:*

1. Shandong Heavy Industry Group Co., Ltd., being a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province, held the entire share capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works).
2. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
3. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 and 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
4. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017, 20 August 2015 and 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2021.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the Period was the Company and any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises five independent non-executive Directors of the Company. The Chairman of the Audit Committee is Ms. Jiang Yan, an independent non-executive Director. Ms. Jiang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules for the purpose of this appointment. During the Period, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control matters of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed with the Company's auditors the reviewed consolidated financial statements for the Period.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE IN APPENDIX 14 OF THE LISTING RULES**

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), and that certain directors of the Company did not attend the Company's annual general meeting or extraordinary general meeting(s) held during the Period due to other essential business engagements, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Mr. Tan is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and the Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its board and its independent non-executive Directors, there is adequate balance of power and authority in place.

## **COMPLIANCE WITH THE MODEL CODE**

During the Period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code and the aforementioned code of conduct of the Company for the Period.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

The reviewed consolidated financial statements for the Period were approved by the Board on 30 August 2021.

## **PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY**

The 2021 interim report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.weichaipower.com](http://www.weichaipower.com) in due course.

**Tan Xuguang**

*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang.*